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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended
March 31, 1992

Commission
File Number - 0-18218

NEW EAST BANCORP

(Exact name of registrant as specified in charter)

North Carolina	56-1622191
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Hannover Square, Suite 1111, Raleigh, North Carolina 27602

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (919) 821-1085

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X . No ____ .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 13, 1992, the registrant has issued and outstanding 2,499,339 shares of $1.00 par value common stock.

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NEW EAST BANCORP AND SUBSIDIARIES

Consolidated Balance Sheets
March 31, 1992 and December 31, 1991

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
Cash and due from banks	$ 5,180,705	5,119,012
Federal funds sold	7,675,000	3,140,000
Investment securities:		
U.S. Treasury	997,481	996,788
U.S. Government agencies and corporations	9,598,644	13,107,192
Mortgage-backed securities and collateralized mortgage obligations	11,408,252	12,072,523
Other securities	179,900	179,900
Total investment securities (market value of approximately $ 22,654,455 and $27,212,053 at March 31, 1992 and December 31, 1991, respectively)	22,184,277	26,356,403
Loans	90,483,998	77,932,899
Less allowance for loan losses	(1,422,000)	(1,264,526)
Net loans	89,061,998	76,668,373
Premises and equipment, net	9,086,714	8,242,009
Accrued interest receivable	1,235,472	1,537,776
Other assets	1,293,271	691,381
Total assets	$ 135,717,437	121,754,954

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand (noninterest-bearing)	11,134,110	9,672,182
Demand (interest-bearing)	9,771,986	6,364,606
Savings accounts	2,98[illegible]563	2,492,181
Money market accounts	25,12[illegible],209	20,597,704
Time	65,002,644	60,068,630
Total deposits	114,010,612	99,195,303
Obligations under capital leases	1,438,109	1,563,377
Notes payable	1,000,000	1,000,000
Securities sold under agreements to repurchase	615,000	1,380,000
Other liabilities	1,356,768	1,219,350
Total liabilities	118,420,489	104,358,010
Shareholders' equity:		
Preferred stock, $ 100 par value, 500,000 shares authorized, no shares issued or outstanding	-	-
Common stock, $ 1.00 par value, 5,000,000 authorized, 2,499,339 shares issued and outstanding in 1992 and 1991	2,499,339	2,499,339
Additional paid-in capital	20,720,327	20,720,327
Accumulated deficit	(5,922,718)	(5,822,742)
Total shareholders' equity	17,296,948	17,396,924
Total liabilities and shareholders' equity	$ 135,717,437	121,754,954

See accompanying notes to consolidated financial statements.

NEW EAST BANCORP AND SUBSIDIARIES

Consolidated Statements of Operations
For the three months ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Interest income:		
Loans	$ 1,798,108	1,201,753
Federal funds sold	54,480	153,152
Other	-	32,124
Investment securities	489,870	385,513
Total interest income	2,342,458	1,772,542
Interest expense:		
Deposits	1,237,837	1,126,106
Securities sold under agreements to repurchase and federal funds purchased	6,570	-
Notes payable and capital lease obligations	6,040	37,831
Total interest expense	1,250,447	1,163,937
Net interest income	1,092,011	608,605
Provision for loan losses	(200,692)	(165,300)
Net interest income after provision for loan losses	891,319	443,305
Noninterest income:		
Service charges on deposit accounts	200,629	84,659
Other service charges and fees	6,632	10,889
Gains on sales of investment securities	104,143	-
Total noninterest income	311,404	95,548
Noninterest expense:		
Personnel	574,645	486,894
Net occupancy	114,404	67,662
Furniture and equipment	121,616	90,546
Printing and office supplies	60,917	38,286
Deposit and other insurance	71,482	49,668
Travel, administrative support and training	62,736	46,538
Telephone and communications	69,835	43,626
Legal and professional	36,729	16,637
Advertising	28,899	15,097
Other	161,436	58,776
Total noninterest expense	1,302,699	913,730
Net loss	$ (99,976)	(374,877)
Weighted average shares outstanding	2,499,339	2,038,106
Net loss per share	($ .04)	($ .18)

See accompanying notes to consolidated financial statements.

NEW EAST BANCORP AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
For the three months ended March 31, 1992 and 1991
(Unaudited)

	Common stock	Additional paid-in capital	Accumulated deficit	Total
Balance at December 31, 1990	$2,038,106	17,191,545	(4,284,230)	14,945,421
Net loss	-	-	(374,877)	(374,877)
Balance at March 31, 1991	$ 2,038,106	17,191,545	(4,659,107)	14,570,544
Balance at December 31, 1991	2,499,339	20,720,327	(5,822,742)	17,396,924
Net loss	-	-	(99,976	(99,976)
Balance at March 31, 1992	$ 2,499,339	20,720,327	(5,922,718)	17,296,948

See accompanying notes to consolidated financial statements.

NEW EAST BANCORP AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the three months ended March 31, 1992 and 1991
(Unaudited)

	1992	1991
Cash flows from operating activities:		
Net loss	$ (99,976)	(374,877)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	119,519	84,971
Gains from sales of investment securities	(104,143)	-
Net increase in other assets	(486,547)	(46,849)
Net increase in accrued interest receivable	326,138	(177,635)
Provision for loan losses	200,692	165,300
Increase in other liabilities	111,756	93,697
Net cash used by operating activities	67,439	(255,393)
Cash flows from investing activities:		
Purchase of premises and equipment	(812,655)	(753,882)
Purchase of investment securities	(504,844)	(5,109,642)
Maturities of investment securities	2,142,997	4,100,000
Sales of investment securities	2,620,311	-
Cash acquired, net of payments, in purchase of branches	4,506,401	-
Loan originations, net of repayments	(8,569,494)	(9,316,950)
Net cash used by investing activities	(617,284)	(11,080,474)
Cash flows from financing activities:		
Proceeds from deposits, net	6,036,806	11,223,176
Repayment of obligations under capital leases	(125,268)	(118,415)
Net decrease in securities sold under agreements to repurchase	(765,000)	-
Net cash provided by financing activities	5,146,538	11,104,761
Net increase (decrease) in cash and cash equivalents	4,596,693	(231,106)
Cash and cash equivalents, beginning of period	8,259,012	14,587,828
Cash and cash equivalents, end of period	$ 12,855,705	14,356,722
Supplemental disclosures of cash flow information - interest paid	$ 1,354,629	959,712

No cash was paid during the periods for income taxes.

See accompanying notes to consolidated financial statements.

NEW EAST BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements
March 31, 1992 and 1991
(Unaudited)

(1) Financial statement presentation and management representation

The consolidated financial statements include the accounts and results of operations of New East Bancorp (the "Company") and its wholly-owned subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation.

The interim consolidated financial statements as of and for the three months ended March 31, 1992 and 1991 are unaudited. In the opinion of management, the consolidated financial statements contain all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly, in all material respects, the consolidated financial position as of March 31, 1992 and the consolidated results of operations and cash flows for the aforementioned periods.

(2) Per share information

Per share information is computed based on the weighted average number of common shares outstanding during each period.

(3) Investment securities

A summary of investment securities as of March 31, 1992 follows:

	Book value	Approximate market value
U.S. Treasury securities	$ 997,481	$ 1,017,187
U.S. Government agencies and corporations	9,598,644	9,851,719
Mortgage-backed securities and collateralized mortgage obligations	11,408,252	11,605,649
Other securities	179,900	179,900
Total investment securities	$ 22,184,277	$ 22,654,455

(4) Loans

A summary of loans as of March 31, 1992 and December 31, 1991 follows:

	1992	1991
Commercial, financial and agricultural	$ 34,044,336	27,776,455
Real estate - construction	20,369,995	6,463,692
Real estate - mortgage	16,307,945	24,872,365
Installment loans to individuals	19,092,935	18,205,326
Plus: net deferred loan fees	668,787	615,061
Total loans	$ 90,483,998	77,932,899

(5) Allowance for loan losses

The allowance for loan losses is maintained at a level considered adequate to provide for potential loan losses based on management's evaluation of the loan portfolio, as well as prevailing and anticipated economic conditions. Activity in the allowance for loan losses for the three months ended March 31, 1991 and 1990 follows:

Balance at beginning of quarter	$ 1,264,526
Provision charged to operations	200,692
Allowance from purchased branches	40,248
Loan losses charged off, net of recoveries	(83,466)
Balance at end of quarter	$ 1,422,000

(6) Stock options

Pursuant to the New East Bancorp 1989 Incentive Stock Option Plan, the Company may grant to employees and directors of the Company and its subsidiary banks options to purchase up to 10% of the total shares of common stock outstanding. The exercise price of all options will be the fair market value of the Company's stock on the date of grant. Total options granted as of May 12, 1992 were 188,750, with such options exercisable at a rate of 20% per year, with varying initial exercise dates beginning in October, 1990. No options granted have been exercised as of May 12, 1992.

(7) Branch Acquisition

On January 31, 1992, New East Bank of the Cape Fear completed its purchase of two bank branches located in Wilmington, North Carolina. This purchase included the assumption of approximately $ 8,800,000 in deposits and $ 4,000,000 in loans. A premium of approximately $ 145,600 was paid for the branch acquisitions. The Bank plans to continue the branches' operations at their existing locations.

1992 Management's Discussion and Analysis

This discussion evaluates the financial condition and results of operations of New East Bancorp (the "Corporation") and its wholly-owned subsidiaries, New East Bank of Goldsboro, New East Bank of Greenville, New East Bank of the Cape Fear, New East Bank of the Albemarle, and New East Bank of New Bern (collectively referred to as the "Banks") for the three months ended March 31, 1992 and 1991. When the discussion concerns the holding company unconsolidated with the Banks, the Corporation will be referred to as the "Holding Company". The discussion is intended to complement the accompanying consolidated financial statements and the supplemental financial data appearing elsewhere in this report and should be read in conjunction therewith.

Capital Resources and Liquidity

The primary source of the Holding Company's capital resources through March 31, 1992 was the net proceeds from the Holding Company's initial public offering completed in October 1989 and a second public offering completed in March 1991. Of the original capital raised, the Holding Company had capital of $ 1,719,666 remaining after its investment in the Banks of $ 21,500,000.

The Holding Company has incurred various costs on behalf of the Banks, but has not recouped those costs fully through service fees charged to the Banks to help the Banks achieve profitable operations as soon as possible. Consequently, the Holding Company has been operating at a loss since inception. In addition, the Holding Company has purchased premises and equipment to be used for the benefit of the Banks for which it has not received reimbursement from the Banks. As the sum of the Holding Company's accumulated deficit and the cost of acquisition of the aforementioned premises and equipment exceeded the capital available after the Holding Company's investment in the Banks, the Holding Company has incurred a substantial cash flow deficit as of March 31, 1992.

The Holding Company's cash flow deficit primarily began in 1991 and increased steadily throughout the year and continued into 1992. The Holding Company's operations and its capital acquisitions were funded in part through certain intercompany borrowings from the Banks. Consequently, the Holding Company owes the Banks approximately $ 3,261,800 at March 31, 1992 which must be repaid by the Holding Company (an increase of $ 39,800 from the balance at December 31, 1991.) These borrowings were in violation of certain federal banking regulations and were not discovered until February 1992 primarily due to delays in recording internal accounting transactions between the Holding Company and the Banks. The consolidated financial statements of the Corporation are not affected by these intercompany borrowings since these amounts eliminate in consolidation. This situation, however, does create a liquidity problem for the Holding Company because it does not have sufficient existing resources to fund the obligation. In addition to the liability to the Banks, the Holding Company's existing line of credit which has an outstanding balance of $ 1 million at March 31, 1992 is due May 1, 1992. The line of credit outstanding was reduced to $ 200,000 on May 1, 1992 by funds provided by the transfer of the newly constructed permanent facility for New East Bank of Greenville from the Holding Company to the Bank. Management intends to repay the remainder of the line of credit by the end of May 1992. Management is reviewing the alternatives for obtaining funds to repay the Holding Company's obligation to the Banks, including, without limitation, selling subordinated debentures in a private placement, transferring assets purchased for the benefit of the Banks to the Banks, procuring a

commercial loan to replace its existing line of credit, or procuring a secured loan from the Banks that meets regulatory requirements. There can be no assurances as to the availability, structure, pricing and terms of such future financing. Certain alternatives to resolve this matter must be approved by bank regulatory authorities. Management and the Board of Directors are reviewing the Corporation's 1992 income and expense projections and the Corporation's internal accounting controls and management information systems to determine what changes are advisable to prevent such a situation from recurring.

To recoup more of the costs incurred by the Holding Company for the benefit of the Banks, management has increased the service fees charged to the Banks beginning in the second quarter of 1992. This increase may temporarily delay the Banks' reaching profitability. Management and the Board of Directors are carefully examining the Holding Company's charges to the Banks to determine whether the service fees should be further increased to the fair market value of the services provided or whether Holding Company expenses should be cut and base service fees decreased to maximize the profitability of both the Holding Company and the Banks. The second quarter increase in service fees charged by the Holding Company for its services on the Banks' behalf does not relate to the funding of the Holding Company's obligation to the Banks as described above. For the foreseeable future, payments from the Banks to the Holding Company will be limited to these service fees since North Carolina banking laws and regulatory policy restrict the payment of dividends by the Banks; generally, the Banks' dividends are restricted until the Banks' original capital is replenished from profitable operations. As the Banks continue to grow and mature, service fees and dividends paid by the Banks to the Holding Company are expected to provide the Holding Company with adequate liquidity.

Capital expenditures for the Corporation and the Banks' premises and equipment are expected to be permanently funded through long-term mortgage and lease financing. It is currently anticipated that the Banks will own their own permanent facilities. The permanent facility for New East Bank of Goldsboro is complete and in use; the permanent facility for New East Bank of Greenville is under construction and is substantially complete. Management anticipates that permanent facilities for the other three Banks will be completed by the end of 1994 at a cost of approximately $ 1,200,000 per facility. To finance construction of future permanent facilities, the Corporation anticipates obtaining a line of credit from a commercial bank.

To complete the New East Bancorp system, management will evaluate potential acquisitions of existing financial institutions from time to time and/or the formation of additional de novo banks in the market area. The capitalization of any additional banks would require additional capital resources from other sources, which may include the proceeds from the issuance of additional securities by the Corporation. In completing the system, management may determine to merge, reconstitute or expand existing regions of its market area. Out-of-market area acquisitions might be considered if such acquisitions would prove beneficial to the New East Bancorp system.

Capital Requirements

The Federal Reserve Board's risk-based capital rules for bank holding companies, which became effective March 15, 1989, are being phased in over two years. When the rules become final at the end of 1992, the minimum guidelines for the ratio of capital to risk-weighted assets (including certain off-balance sheet items, such as

standby letters of credit) will be 8 percent. At least half of the total capital must be composed of common equity, retained earnings, minority interests in equity accounts of consolidated subsidiaries, and a limited amount of perpetual preferred stock less certain goodwill items ("Tier 1 capital"). The remainder ("Tier 2 capital") may consist of a limited amount of subordinated debt, other preferred stock, hybrid capital instruments, perpetual debt, mandatory convertible debt securities, and a limited amount of loan loss reserves.

In addition, the Federal Reserve Board requires bank holding companies to maintain a minimum leverage ratio of Tier 1 capital to adjusted average quarterly assets of 3 percent with all but the strongest institution required to maintain a ratio of up to 5 percent. An even higher leverage ratio may be required depending on the circumstances. In adopting such standards, the Federal Reserve Board emphasized that in all cases the suggested standards are supervisory minimums and that an institution would be permitted to maintain the minimum levels of capital only if it were a strong banking organization with well-diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and rated composite 1 under the BOPEC rating system for bank holding companies. Any institution like the Corporation experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions, well above the minimum required levels. In addition, the Federal Reserve Board considers a "tangible Tier 1 leverage ratio" in evaluating proposals for expansion of new activities. The tangible Tier 1 leverage ratio is the ratio of a banking organization's Tier 1 capital, less all intangibles to total assets, less all intangibles. The FDIC, and the Federal Reserve Board as to member banks, impose similar minimum ratios of capital to risk-weighted assets and minimum leverage ratios on the Banks.

At March 31, 1992, the Corporation's ratio of total capital to risk-weighted assets of 16.16 percent exceeded the fully phased-in minimum guidelines applicable to bank holding companies. The Corporation's leverage ratio of 15.08 percent exceeded the required interim minimum leverage ratio of from 3 to 5 percent. The Banks are all also above such required ratios.

Under the Federal deposit Insurance Corporation Improvement Act of 1991 (the "Act") regulatory supervision is linked to bank capital. Regulatory agencies must set five capital levels for bank, ranging from well capitalized to critically undercapitalized. Regulatory action would be mandatory as capital levels fell. These new regulatory parameters must be in place by December 1992. Management of the Corporation cannot at this time assess the effect that these new regulations might have on the Corporation in the future.

Liquidity and Interest Sensitivity

In banking, liquidity is necessary to ensure adequate funds are available to meet deposit withdrawals, fund loan commitments, maintain reserve requirements, pay operating expenses and meet other commitments. Funds are made available primarily through the expansion of the deposit base. As of March 31, 1992, consolidated total deposits were $ 114,010,612 which represents an increase of $ 14,815,309 or 15 percent over December 31, 1991, while consolidated net loans were $ 89,061,998, a 16 percent increase over December 31, 1991. These increases were the result of the continued growth of the Banks and the purchase of approximately $ 4,000,000 of loans in branch acquisitions. Investment securities have decreased by approximately $ 1,954,800 since December 31, 1991, primarily as a result of the maturing of some investment securities and the sales of other investment

securities which was done to restructure the Banks' balance sheets. Federal funds sold have increased by $ 4,535,000 since year-end 1991 due primarily to excess cash received in the settlement from the branch acquisitions that have not yet been reinvested in loans or investment securities.

Results of Operations

The following covers the results of operations of the Corporation for the three months ended March 31, 1992 and 1991. The Corporation was incorporated in 1988; the initial three subsidiary banks opened in late 1989 and the last two subsidiary banks opened in [illegible]-1990 and mid-1991, respectively.

The Corporation incurred a net loss for the three months ended March 31, 1992, of $ 99,976 compared to a net loss of $ 374,877 for the three months ended March 31, 1991. The consolidated losses from operations decreased in 1992 compared to 1991 due to gains on sales of securities of $ 104,143, the continued growth of the Banks and an effort by management to minimize costs where possible. Consolidated net loss was impacted primarily by an increase in net interest income of $ 483,406 which was partially off-set by increases in the provision for loan losses of $ 35,392 over the same period in 1991. Noninterest income, primarily service charges on deposit accounts, increased $ 215,856 over 1991 due to gains on sales of investment securities of $ 104,143 and a 136 percent increase in income from service charges on deposit accounts. The gains on sales of investment securities occurred due to the Banks restructuring their balance sheets to achieve their desired liquidity levels and to fund the acquisition of fixed assets from the Holding Company. Such gains are of a nonrecurring nature and additional significant gains from the sales of investment securities are not anticipated during the remainder of 1992 unless further restructuring of the Banks' balance sheets is needed.

Noninterest expense items that significantly increased in 1992 over their 1991 levels were occupancy, furniture and equipment ($ 77,812 or 49 percent increase) due to the opening of the operations center in Selma, North Carolina and the permanent bank building for New East Bank of Goldsboro as well as costs associated with other capital expenditures at the Bank level; and deposit and other insurance ($ 21,814 or 44 percent increase) due primarily to increases in FDIC premiums and the growth of the deposit base being insured.

Currently, the Holding Company's only source of revenue is fees for services performed for the Banks. During 1992 and 1991, the Holding Company received support service fees from the Banks which helped offset operating expenses incurred. During first quarter 1992, the Holding Company received $ 411,718 of service fees from the Banks. The Holding Company's first quarter 1991 results of operations included service fee revenues of $ 357,505. Operating expenses of the Holding Company totalled $ 586,056 for first quarter 1992 and $ 526,813 in 1991. The 1992 expenses were comprised of $ 348,973 of personnel expense, $ 112,807 of occupancy and equipment expense, $ 31,669 of travel, administrative support and training expense and $ 92,607 of other general and administrative expense. Operating expenses in 1991 were comprised of $ 299,135 of personnel expense, $ 91,217 of occupancy and equipment expense and $ 136,461 of other general and administrative expense.

Losses from operations of the Banks decreased in first quarter 1992 from 1991 primarily because of the continued growth of the Banks and the impact of non-recurring gains from the sales of investment securities. During 1991, four of the

Banks were in operation for the entire year and the fifth Bank, New East Bank of New Bern, opened in June. Losses from new bank operations are expected because it typically takes several years for a bank to grow to an asset size sufficient to cover its costs of operations. Generally the Banks' losses are declining on a month-to-month basis due to increasingly higher volumes of earning assets that contribute more net interest income to offset noninterest expenses.

Interest-earning Assets

Loans, which comprise 75 percent of earning assets, grew to $ 90,483,998 at March 31, 1992 from $ 77,932,899 at December 31, 1991. The loan portfolio is diversified and does not include any significant concentrations in one industry or borrower relationship. Approximately 60 percent of the loans in the portfolio are floating rate loans. The yield on average loans outstanding was 9.68 percent for the first quarter of 1992 compared to 10.2 percent during the same period in 1991. The decrease in the yield on loans has been experienced by all financial institutions as interest rates have declined significantly since the same period in the prior year.

The investment portfolio totalled $ 22,184,277 at March 31, 1992 compared to $ 26,356,403 at December 31, 1991. Investment securities were approximately 16 percent of total consolidated assets in 1992 and 21 percent at year-end 1991. These assets earned on the average 8.61 percent and 10.2 percent in 1992 and 1991, respectively. All investment securities are in U. S. Treasury securities, U. S. Government agencies and corporations, mortgage-backed securities or collateralized mortgage obligations. At March 31, 1992, the market value of the portfolio exceeded its amortized cost by $ 470,178.

Allowance for Loan Losses

The Corporation maintains a loan loss allowance of $ 1,422,000 as of March 31, 1992 compared to an allowance of $ 1,264,526 as of December 31, 1991. The allowance for loan losses as a percent of loans outstanding at March 31, 1992 was 1.57 percent, compared to 1.62 percent at the end of 1991. Based on information currently available to management, the allowance for loan losses is believed to be adequate. However, future additions to the allowance may be necessary based on changes in economic conditions or the circumstances of individual borrowers which may impact borrowers' ability to repay their loans. Management believes its policies of monitoring loans and its lending practices will minimize any adverse consequences of an extended sluggish economy.

Interest-bearing Liabilities

While the percentage of core deposits to total deposits outstanding decreased in 1991, the majority of the interest-bearing liabilities are core deposits (75 percent of interest-bearing deposits outstanding at March 31, 1992). Time deposits over $ 100,000 totalled approximately $ 28,235,000 at March 31,1992. Many of the deposits over $ 100,000 are from directors of the Corporation or Banks. The average cost of funds for interest-bearing deposits was 5.76 percent in first quarter 1992 and 7.13 percent in the same period in 1991.

Securities sold under repurchase agreements averaged $ 610,549 in 1992 with a cost of funds of 4.3 percent.

Net Interest Income

The principal source of the Banks' earnings is net interest income which is the excess of income generated from interest-earning assets over the interest costs of the funds

obtained to carry them. Net interest income increased from $ 608,605 to $ 1,092,011 in 1992 due to the continued growth of the Banks. Net yield on average earning assets increased from 3.14 percent in first quarter 1991 to 4.31 percent in 1992 due to the restructuring of earning assets from federal funds sold and investment securities to higher-yielding loans. The average rate earned on earning assets was 9.24 percent in 1992 and the average rate paid on interest-bearing liabilities was 5.62 percent.

Effects of Current Economic Conditions
The economy has been sluggish from late 1989 through the present. The general economic softness has been compounded by the Middle East conflict, banking and thrift industry problems and a nationwide slowdown in real estate markets. Although the Corporation and the Banks have not experienced any material effects from these events, continued adverse economic conditions or a prolonged, significant downturn in the economy of eastern North Carolina could limit the Banks' growth.

Two of the Banks, New East Bank of Goldsboro and New East Bank of the Cape Fear are based in markets where significant numbers of military personnel were deployed in early 1991 as part of Operation Desert Storm which intensified the general economic downturn in these local markets. With the return of the troops, the economy in those markets significantly improved. Neither of the Banks has any direct concentration of business with military personnel or related businesses, although some indirect impact was felt through businesses that depend on the military as their customer base. Future reduction of troops or closing of those military bases would have a significant negative impact on the markets in which those Banks operate.

Effects of Current Regulatory Recommendations
Various proposals are pending in Congress that could materially affect the banking industry, including proposals to change the deposit insurance system, expand the powers of financial institutions and reconstitute the bank regulatory system. Because these proposals are in early stages of consideration, management cannot assess the impact any of these proposals are likely to have on the operations of the Corporation or the Banks. It is anticipated that the Banks' cost of deposit insurance with the Federal Deposit Insurance Corporation (the "FDIC") will continue to increase. During the second half of 1991, the premium rate was 0.23 percent of total deposits. The FDIC is considering an increase of the rate to 0.30 percent of total deposits by mid-1992.

The 1991 Act provides for risk-based assessments of insurance premiums beginning with the earlier of January 1, 1994 or 180 days after the final regulations setting out the risk-based assessment parameters become effective. Under the risk-based system, a bank's semi-annual assessment will be based on (i) the probability that the Bank Insurance Fund will incur a loss with respect to the institution, taking into consideration the risks attributable to (a) different categories and concentrations of assets, (b) different categories and concentrations of liabilities, and (c) any other factors the FDIC deems relevant; (ii) the likely amount of any such loss; and (iii) the revenue needs of the Bank Insurance Fund. Management cannot at this time determine the effect that the 1991 Act will have on the Banks' deposit insurance premiums but anticipates that such premiums will continue to increase and be an increasingly material expense for the Banks.

Current Accounting Issues

The Financial Accounting Standards Board (FASB) has issued Statement No. 109, "Accounting for Income Taxes" which supersedes Statement No. 96. The statement requires that deferred taxes be adjusted for the effects of changes in the tax laws or tax rates. It also requires an asset and liability approach to financial accounting and reporting of income taxes. Management plans to adopt this statement on a prospective basis and expects an immaterial effect on earnings. The statement will be effective in January 1993.

FASB issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," during the fourth quarter of 1990. The new Statement primarily covers accounting for retiree health benefits but will also apply to other retiree welfare benefits, such as life insurance. The statement will be effective for fiscal years beginning after December 15, 1992. However, management expects the effect on the Corporation from implementation of this statement to be immaterial to the results of operations.

Effects of Inflation on Operations

Because the Corporation operates as a financial institution, the majority of its assets and liabilities are monetary in nature and, therefore, differ greatly from those of most industrial or commercial companies that have significant investments in fixed assets. Due to this fact, the effects of inflation on the Corporation's balance sheet will be minimal, meaning that there will be no substantial increases or decreases in the net purchasing power over time. The most significant effect of inflation will be on noninterest expenses which tend to rise during periods of general inflation.

NEW EAST BANCORP
Average balance sheet and net interest income
Three months ended March 31, 1992

	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Earning assets:			
Loans	$ 74,275,807	1,798,108	9.68%
Federal funds sold	4,392,362	54,480	4.96%
Investment securities	22,755,619	489,870	8.61%
Securities purchased under agreements to resell and loan participations	-	-	-
Total earning assets	101,423,788	2,342,458	9.24%
Non-earning assets:			
Cash and due from banks	5,078,122		
Premises and equipment	8,105,328		
Other assets	102,062		
Total assets	$ 114,709,300		
Interest-bearing liabilities:			
Savings and time deposits	86,032,902	1,237,837	5.76%
Securities sold under agreements to repurchase and fed funds purchased	610,649	6,570	4.30%
Notes payable and capital lease obligations	2,981,791	6,040	0.81% (I)
Total interest-bearing liabilities	89,014,693	1,250,447	5.62%
Noninterest-bearing liabilities:			
Demand deposits	9,302,416		
Other liabilities	1,123,224		
Shareholders' equity	14,053,669		
Total liabilities and equity	$ 113,494,002		
Net interest income and net yield on earning assets		1,092,011	4.31%

(I) Interest expense of $ 41,084 was capitalized during the period.

NEW EAST BANCORP
Average balance sheet and net interest income
Three months ended March 31, 1991

	Average Balance	Interest Income/ Expense	Average Yield/ Rate
Earning assets:			
Loans	$ 47,130,126	1,201,753	10.20%
Federal funds sold	9,891,111	153,152	6.19%
Investment securities	18,555,948	385,513	8.31%
Securities purchased under agreement to resell and loan participations	2,044,778	32,124	6.28%
Total earning assets	77,621,963	1,772,542	9.13%
Non-earning assets:			
Cash and due from banks	3,762,253		
Premises and equipment	5,833,308		
Other assets	1,883,255		
Total assets	$ 89,100,799		
Interest-bearing liabilities:			
Savings and time deposits	63,136,138	1,125,106	7.13%
Notes payable and Capital lease obligations	4,248,617	37,831	3.56%
Total interest bearing liabilities	67,384,755	1,163,937	6.91%
Non interest-bearing liabilities:			
Demand deposits	5,428,448		
Other liabilities	1,446,004		
Shareholders' equity	14,841,592		
Total liabilities and equity	$ 89,100,799		
Net interest income and net yield on earning assets		608,605	3.14%

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not involved in any material pending legal proceedings.

Item 2. Changes in securities.

None.

Item 3. Default Upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Securities Holders.

None.

Item 5. Other information.

Not applicable.

Item 6. Exhibits and Reports on Form 8-K.

a) Previously reported.

b) None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

New East Bancorp

Date: May 13, 1992

William H. Olive, Jr.
Chairman and CEO

Date : May 13, 1992

Naudain L. Machen
Vice President and
Controller